

Message Text

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ACTION ARA-14

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E. O. 11652: N/A
TAGS: EMIN, EINV, CI
SUBJECT: NEW LARGE SCALE MINING FOREIGN INVESTMENTS IN CHILE

REF: (A) SANTIAGO 2904 (B) SANTIAGO 5674 (C) SANTIAGO 4151

1. WORTH CONSIDERABLE NOTICE IS THE FACT THAT DIRECT, PRIVATE, FOREIGN INVESTMENT IN THE EXTRACTIVE INDUSTRY HAS RETURNED TO CHILE AFTER A LONG HIATUS. IN THE PAST TEN DAYS THREE MAJOR AGREEMENTS HAVE BEEN SIGNED. FOLLOWING CLOSE ON THE HEELS OF THE JULY 7 SUPERIOR OIL/FALCONBJIDGE - GOC AGREEMENT (REFTEL B), TWO ADDITIONAL AGREEMENTS WILL BE FORMALLY SIGNED TODAY AS DESCRIBED BELOW:

A) NORANDA MINES, A CANADIAN FIRM, HAS REACHED AGREEMENT WITH THE GOC TO DEVELOP THE ANDACOLLO OREBOYD. NORANDA AND GOC WILL SPLIT OWNERSHIP 51/49 PERCENT IN FAVOR OF NORANDA AND A NEW COMPANY LOCALLY ORGANIZED TO IMPLEMENT THE PROJECT. TOTAL INVESTMENT WILL BE US 350 MILLION. APART FROM TODAY'S AGREEMENT, AN UNDERSTANDING HAS BEEN REACHED WHICH ENVISIONS AN ADDITIONAL US 150 MILLION SMELTING AND REFINING FACILITY IF PRODUCTION WARRANTS. OTHERWISE, THE STATE-OWNED EMPRESA NATIONAL DE MINERIA ENAMI WILL PROCESS THE ORE.

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B) ST. JOE MINING, US FIRM, HAS REACHED AGREEMENT TO DEVELOP A GROUP OF PRIVATELY-OWNED GOLD DEPOSITS, AND OTHER METALS, THE MOST IMPORTANT NAMED "EL INDIO" AND LOCATED SOME 150 KMS FROM LA SERENA IN THE HIGH ANDES. PRICES DETAILS OF THIS PROJECT ARE NOT YET AVAILABLE, BUT PRESS COVERAGE ESTIMATES THAT TOTAL LONG-TERM INVESTMENT MAY REACH US 100 MILLION. EMBASSY SKEPTICAL OF THIS HIGH FIGURE.

2. BOTH THESE NEW AGREEMENTS, AS WITH QUEBRADA BLANCA, WERE NEGOTIATED UNDER THE TERMS OF THE OLD FOREIGN INVESTMENT LAW, DL 600. THE NEW LAW PERMITS NEGOTIATIONS BEGUN UNDER THE OLD STATUTE TO CONTINUE FOR PERIOD OF 120 DAYS ENDING TOMORROW, JULY 16. NO DOUBT THIS DEADLINE HELPS TO EXPLAIN THE CLOSE PROXIMITY OF THESE THREE NEW AGREEMENTS. BOTH NEW AGREEMENTS ESTABLISH A 49.5 PERCENT TAX RATE FOR 30 YEARS.

3. RELATED INFORMATION: CHILEF GOC MINING INVESTMENT NEGOTIATOR, ARTURO MACKENNA INFORMED EMBOFFS THAT GOC WILL SOON SEEK (NEXT FEW WEEKS) SERIOUS FOREIGN INVESTORS TO BEGIN NEGOCIATIONS FOR COPPER OREBODIES OF EL ABRA AND LA DISPUTADA.

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